

**Senate Select Committee on
Superannuation and Financial Services**

**Main Inquiry
Reference (a)**

Submission No. 131

Submittor: Mr & Mrs Arnold & Maureen Sierink
644 Dorans Road
SANFORD TAS 7020

SUBMISSION TO : SENATE SELECT COMMITTEE ON SUPERANNUATION
AND FINANCIAL SERVICES

HELD 18 MAY 2001 - HOBART, TASMANIA

Background information of persons/companies involved :

Retirees: Mr. Arnold & Mrs. Maureen Sierink (the Sierinks)

Financial Company Garrisons Pty Ltd

Advisor Mr. Mark Hudson (Hudson)

Solicitors involved Lewis, Driscoll & Bull (LDB)
Piggott, Wood & Baker (PWB)
Ware & Partners

Australian Securities & Investment Commission (ASIC)

Financial Industry Complaints Service (FICS)

Financial Planning Association (FPA)

Introduction :

Arnold Sierink, as a Union Official with the Electrical Trades Union (ETU), for 20 years, first became involved with Garrisons as an Australian Council of Trade Unions (ACTU), recommended source of financial advice for members of trade unions, in the early 1990's.

As a result of this recommendation, a relationship of trust was established, resulting in Arnold advising members to seek financial assistance from Garrisons, especially for those made redundant by the Hydro Electric Commission (HEC), during the mid 1990's.

Maureen Sierink was a State Public Servant, working with the Tasmanian Grain Elevators Board (TGEB) for 15 years, and thus a member of the Retirement Benefits Fund (RBF).

Course of Events :

In preparation for their retirement, the Sierinks sought financial advice in 1996 from Garrisons' Mr. Maurie Osborne and Mr. Mark Hudson who prepared a financial plan for them.

Arnold retired from the ETU in March 1997 rolling over his superannuation and leave entitlements etc., into the Garrisons newly established A & M SIERINK SUPERANNUATION FUND. Maureen retired from the TGEB in June 1997 and her superannuation and leave entitlements etc., were rolled over into this Fund. Although Maureen was entitled to remain with RBF and receive a pension, Hudson advised that it would be more advantageous, both financially and administratively, to both be in the one Fund - administered by Garrisons, bearing in mind that on the death of both Arnold & Maureen, RBF benefits do not pass on to their beneficiaries.

Due to the fact that both Arnold & Maureen intended to seek part time employment, most of the money in the Fund was "parked" on a short term basis with Solicitors First Mortgages (SFM's). This course of action was recommended by Hudson for a number of reasons, including money from SFM's would be available usually within 3 - 5 days and at the most 90 days and that capital was secure in this type of investment. When the time of full retirement came about, these funds would then be withdrawn from SFM's and converted into either an Annuity or an Allocated Pension.

What went wrong? :

Hudson admitted during an interview carried out by ASIC, that he did not undertake any research into SFM's as set by ASIC's Policy Statement 122.110 and 122.111. As a consequence Hudson was penalised with a temporary banning order, as "ASIC had reason to believe that he contravened s851 and s995 of the Corporations Law and has not performed efficiently, honestly and fairly the duties of a representative of a dealer."

The Sierinks had made it clear that their money placed with SFM's should only be in "bricks and mortar" investments. As a consequence of Hudson's failure as mentioned above, the Sierinks money was "handed over" to solicitors without any check on (a) the borrower (b) the type of investment (c) the bonafides of the valuation etc. It is evident that Hudson had no idea where the money was invested.

The Sierinks were fortunate in that funds with PWB were fully redeemed without incident in September 2000, whilst \$20,803.68 (plus outstanding interest since 31/3/98) still remains with LDB and \$18,700.00 (plus outstanding interest since 1/3/2000) with Ware & Partners. Both these investments are in dubious sub-divisional residential allotments.

The Sierinks were forced to use their own initiative in their efforts to recoup outstanding funds as Garrisons have not shown any willingness to assist affected clients. In fact, Garrisons wrote to FICS on 27/11/2000 and we quote "Whilst Mr. & Mrs. Sierink are concerned to receive their funds in a timely manner, we do not believe they are currently suffering any hardship as a result of the delays in recovering these funds. The above amounts about 15% of the total investment portfolio of Mr. & Mrs. Sierink". - What incredible arrogance while we are forced to use up our capital!

The Sierinks have sought the assistance of Mr. S. Purdon of ASIC., Mr. A. Smith (Case Manager) of FICS and Mr. Mike Butler of FPA.

Conclusion :

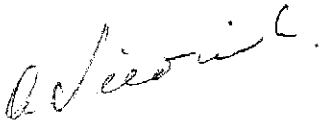
The Sierinks believe that if the criteria under which the Law Society of Tasmania obtained their exemption from the Corporations Law in 1992 had been adhered to, and if the Law Society had properly regulated and audited the Solicitors First Mortgage Schemes, together with proper research being undertaken by Garrisons, the problems now being experienced would never have taken place.

Suggestions for the Future :

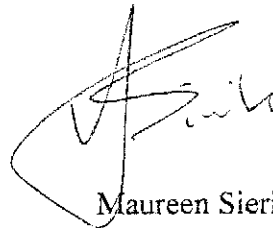
Apart from Government employees, retirees are forced to withdraw their super funds, thus negating their safety. It should be possible for retirees to have some insurance to underwrite their superannuation funds. It does not seem feasible for the myriad of superannuation funds throughout Australia to have the capacity to be "pension payers" for their members.

The obvious solution would be to have a National Superannuation Scheme paid into via the Australian Taxation Office. Thus all Australians could reap the benefits of a safe "pension."

4 May 2001



Arnold Sierink



Maureen Sierink